

GOVERNMENT OF ANDHRA PRADESH  
A B S T R A C T

Industries & Commerce Dept. – Appeal petition filed by M/s. KCP Sugar & Industries Corpn. Ltd. Lakshmipuram, Krishna District against the re-allotment of Mandals to NVR & ADR for drawing Sugarcane – Appeal petition examined - Rejected.

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INDUSTRIES & COMMERCE (SUGAR) DEPARTMENT

G.O.Rt.No.630,

Dated:05-11-2011.  
Read the following:-

- 1) Appeal petition filed by M/s. KCP Sugars & Industries Corpn. Limited, Lakshmipuram Dt.8.8.2011 before the Appellate authority ie., Govt. of AP in Inds. & Com. Deptt.
- 2) Govt.Memo.No.11795/Sug/A1/2011-1, Dt.17.8.2011.
- 2) From the COS & CC, AP, Hyderabad, Lr.Rc.No.C1/2496/ 2011, Dt.1.10.2011.

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In the reference 1<sup>st</sup> read above, M/s. KCP Sugar & Industries Corporation Limited, Lakshmipuram, Krishna District have filed an appeal petition before the Appellate Authority ie., the Government of Andhra Pradesh U/s 17 of the A.P. Sugar Cane (Regulation of Supply and Purchase) Act, 1961 against the orders of the 1<sup>st</sup> respondent ie., Commissioner of Sugar & Cane Commissioner, AP, Hyderabad in Rc.No.C1/2397/2010, Dt.26.7.2011 in which orders were issued cancelling the earlier orders issued on allotment of 25 (twenty five) Zone mandals of M/s. NVR & ADR Coop. Sugars Limited and 2 free mandals of Guntur District on temporary basis among (2) units of M/s. KCP Sugar and Industries Corporation Limited at Laxmipuram and Vuyyuru of Krishna District with immediate effect, due to re-starting of M/s. NVR & ADR Coop. Sugars Limited from 2011-12 season and requested to setaside the above proceedings, since the proceedings of Commissioner of Sugar & Cane Commissioner, Hyderabad is causing heavy loss to the petitioner's factory.

2. In the reference 2<sup>nd</sup> read above, Government have requested the Commissioner of Sugar & Cane Commissioner, AP, Hyderabad to examine the appeal petition of M/s. KCP Sugar & Industries Corpn. Limited, Lakshmipuram, Krishna District and send parawise / specific remarks to Government. Accordingly, the Commissioner of Sugar & Cane Commissioner, AP, Hyderabad has furnished his remarks vide letter 3<sup>rd</sup> read above.

3. The Commissioner of Sugar & Cane Commissioner, AP, Hyderabad in the reference 3<sup>rd</sup> read above has informed that (3) Cooperative Sugar Factories (CSFs) viz., (1) Cuddapah CSF, (2) NVR CSF and (3) Nizamabad CSF did not function due to stringent financial problems and shortage of sugarcane. M/s. NVR & ADR Cooperative Sugars Limited, Jampani is one among them not functioning during 2008-2009, 2009-2010 and 2010-2011 crushing seasons. The cane growers of M/s. NVR & ADR Coop. Sugar Factory, Jampani area have represented to the Hon'ble Chief Minister, Government and Commissioner of Sugar & Cane Commissioner through their public representatives for allotment of their Mandals to the neighboring units of M/s. KCP Ltd., at Laxmipuram and Vuyyuru. It was decided in the review meeting held by the then Hon'ble Chief Minister on 27<sup>th</sup> July' 2009 to divert the available sugarcane in the zone areas of non-functioning to the neighboring sugar factories in the interest of the farmers and to temporarily allot the zone areas to the neighboring sugar factories, to maintain the cane area in the zones until the crushing is taken up by the

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said Cooperative Sugar Factories. Accordingly, Government have issued instructions to permit the Kadapa, NVR & ADR and Nizamabad Cooperative Sugar Factories for diversion of sugar cane to the neighboring factories for the ensuing season 2009-10. Pursuant to the said orders of the Government, the Commissioner of Sugar & Cane Commissioner has convened a meeting with the representatives of cane growers, Asst. General Manager (Cane), KCP Sugar & Inds. Corpn. Ltd, Lakshmipuram, Krishna District and Assistant Cane Commissioners of Nellore and Vuyyuru and allotted 25 Mandals of M/s. NVR CSF among (2) units of M/s. KCP Sugars Ltd., i.e., (9) Mandals to Lakshmipuram unit and (16) Mandals to Vuyyuru unit in the interest of the cane growers vide proceedings Dt:14-05-2010 and 03-09-2010 respectively purely on temporary basis to develop and draw sugarcane to stabilize the sugarcane area in the zone area of the CSF with the following conditions:

- (i) M/s. KCP Ltd., Lakshmipuram shall not claim for allotment of the Mandals on permanent basis in future intimating that the Mandals can be re-allotted to the M/s. NVR CSF whenever, the CSF re-starts its crushing operations.
- (ii) M/s. KCP Ltd., Vuyyuru has no right to claim for allotment of the Mandals on permanent basis in future.

4. The Commissioner of Sugar & Cane Commissioner, Hyderabad has further stated that the Government have sanctioned financial assistance of Rs.508 lakhs to M/s. NVR CSF vide G.O.Rt.No.84, Dt:07.02.2011 to take up cane development for re-starting of crushing operations from 2011-2012 season, based on the remarks of the Assistant Cane Commissioner, Nellore as per the request made by the Managing Director, NVR & ADR Coop. Sugar Factory and as per the powers conferred on the Cane Commissioner under Section 15 of A.P. Sugarcane (RS & P) Act, 1961, the Cane Commissioner vide his office Proceedings, Dt:26-07-2011 has cancelled the earlier orders issued on 14-05-2010 and 03-09-2010 in favour of KCP Ltd on temporary allotment of Mandals. Subsequently, the factory zone of M/s. NVR & ADR CSF was declared with 26 mandals of Guntur District for 5 seasons from 2011-12 onwards vide Procds. Dated:01-08-2011.

5. Therefore, the action of the Cane Commissioner in canceling the temporary allotment of mandals to M/s. KCP Ltd, is in accordance with the provisions of A.P. Sugarcane (RS & P) Act & Rules, 1961 and there is no violation of principles of natural justice. In view of non-functioning of the CSF and expiry of it's zonal period, as per the request made by the cane growers only, temporary arrangement was made on allotment of Mandals to the 2 units of KCP Ltd subject to the said conditions, since M/s. KCP Ltd has drawn major quantity of sugarcane in the area of M/s. NVR & ADR Coop. Sugar Factory to meet its requirement during 2008-09, 2009-2010 and 2010-2011 seasons.

6. The Commissioner of Sugar & Cane Commissioner, Hyderabad has further stated that as per Section 15 of the A.P. Sugarcane (RS&P) Act, 1961, the Cane Commissioner is the competent authority to declare any area as the factory zone of the sugar factory for the purpose of supply of cane to the sugar factory during 5 crushing seasons immediately following the date of the order and may, likewise at any time, cancel such order or alter the boundaries of the area so declared.

7. The contention of the appellant that they have started cane development activities in the allotted mandals by providing inputs in kind and cash on receipt of the orders from the Cane Commissioner, is not at all tenable, as they have done it on their own and the allotment of mandals, was made only on temporary basis and they were also intimated that the mandals can be re-allotted to the NVR & ADR CSF whenever the CSF re-starts its crushing operations. Further, it is to submit that the action of the

Cane Commissioner to cancel the temporary allotment of mandals to M/s. KCP Ltd, is according to the provisions of A.P. Sugarcane (RS & P) Act & Rules, 1961 for declaration/renewal of factory zone **is only to restore the old zone area** to NVR & ADR Cooperative Sugar Factory. Not a fresh zone declaration. On the other hand, the Units of M/s. KCP Sugars Ltd are having large areas for the cane development under their jurisdiction which are as follows:

Sl. No.	Name of the SF	No. of Mandals	No. of Villages
1	KCP Ltd., Lakshmpuram	09	92
2	KCP Ltd., Vuyyuru	20	234

10. The Commissioner of Sugar & Cane Commissioner has informed that in 2006-2007 season, following is the performance:

Sl. No	Name of the SF	Minimum requirement of cane as per capacity (lakh MTs)	Actual cane crushed (in lakh MTs)
1	KCP Ltd., Lakshmpuram	5.20	4.53
2	KCP Ltd., Vuyyuru	11.05	12.21

9. The above information clearly shows that without the cane of temporary allotted Mandals of M/s. NVR & ADR Cooperative Sugar Factory in the past, the Units of M/s. KCP Sugars Ltd have crushed cane in huge quantity which altogether is coming to about 17.00 lakh MTs of cane in one season. It also, shows that there is potentiality to develop sugarcane in their own factory zones. But, these factories instead of developing cane in their own areas, are in the habit of drawing the cane from the NVR & ADR Cooperative Sugar Factory area. The appellant factory can invest huge amounts for cane development in their own zone area whenever required, since every sugar factory is having separate operational area, as per the zonal allotment. If, M/s. NVR CSF does not re-starts its regular crushing operations from 2011-2012 season, the unit may become sick and entire machinery may come down to the dismantling stage. If this happens, those who are depending on the CSF directly and indirectly ie., the employees/workers; farmers etc. may face lot of difficulty to lead their lively hood. In long run, keeping the interest of the farmers and employees/workers, Government has taken a positive decision to re-start the CSF from 2011-2012 crushing season by extending financial assistance.

10. After release of financial assistance of Rs.508 lakhs to M/s NVR & ADR Coop. Sugars Ltd., as per sanction made by the Government in G.O.Rt.No.84, dated: 07.02.2011, the Commissioner of Sugar & Cane Commissioner has permitted the Managing Director of the Coop. Sugar Factory by instructing to incur the expenditure for the following items jointly in consultation with the Assistant Cane Commissioner, Nellore and utilize the amount strictly as per Government orders for which it is sanctioned, based on the reports of the Managing Director of NVR & ADR Coop. Sugar Factory and Asst. Cane Commissioner, Nellore:

- i) Out of Rs.180.00 lakhs, permitted the CSF to utilise Rs.140.00 lakhs for providing subsidy against cane supply from an area of 2,276 acres (about 70,000 MTs of production of cane) to the cane growers for 2011-2012 season and utilise balance amount of Rs.40.00 lakhs towards cane development for 2012-2013 crushing season.

- ii) Rs.45.00 lakhs towards Crop loan for fertilizers & crop management;
- iii) Rs.100.00 lakhs towards Repairs & Maintenance and over-hauling works;
- iv) Statutory payments Rs.146.30 lakhs towards employees arrears, material suppliers, Panchayat tax, CDC payment and other Insurance premium payments.

11. The action taken by the Commissioner of Sugar & Cane Commissioner, Hyderabad on cancellation of the temporary allotment to KCP Ltd., Lakshmipuram and Vuyyuru and declaration of factory zone to M/s. NVR & ADR CSF is legal and not arbitrary and also not contrary to the provisions of A.P. Sugarcane (RS & P) Act, 1961.

12. There is every necessity to motivate the cane farmers in the zone to make the functioning of the CSF viable, since the establishment of sugar factory now a days involves huge investment.

13. Government after careful examination of the appeal petition filed by M/s. KCP Sugars & Industries Corporation Limited, Lakshmipuram, Krishna District to set aside the Procs. of the Commissioner of Sugar & Cane Commissioner, AP, Hyderabad issued in Rc.No.C1/2397/2010, Dt.26.7.2011 and it observed that the NVR & ADR Coop. Sugar Factory, Jampani has been re-started and factory zone has been re-notified by the Commissioner of Sugar & Cane Commissioner as per law. Moreover the petitioner's factory themselves have agreed for the conditions that they will not claim for allotment of the Mandals on permanent basis in future and these mandals can be re-allotted to the NVR & ADR Coop. Sugar Factory whenever restarts its crushing operations. Thus it clearly shows that the petitioner factory has no right to claim for allotment of the mandals on permanent basis in future. Therefore, Government hereby rejected the appeal petition filed by M/s. KCP Sugars & Industries Corpn. Limited, Lakshmipuram, Krishna District as there are no valid merits on the appeal petition filed by the petitioner's factory.

**(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)**

**T.S.APPA RAO,  
PRINCIPAL SECRETARY TO GOVERNMENT &  
COMMISSIONER FOR INDUSTRIAL PROMOTION.**

To

M/s. KCP Sugars & Industries Corpn. Limited, Lakshmipuram, Krishna District.

**Copy to:**

The Commissioner, of Sugar & Cane Commissioner, AP, Hyderabad.  
The Managing Director, The NVR & ADR Coop. Sugars Limited, Jampani, Vemuru Mandal, Guntur District.

SF/SC-2.

**//FORWARDED:::BY ORDER//**

**SECTION OFFICER.**